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August 6, 2013

VIA ECFS

Marlene H. Dortch, Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Lifeline Reform 2.0 Coalition Notice of *Ex Parte* Presentation; WC Docket No. 11-42

Dear Ms. Dortch:

The members of the Lifeline Reform 2.0 Coalition (“Coalition”)¹ support the requirement of biennial independent audits applicable to eligible telecommunications carriers (“ETCs”) that receive \$5 million or more annually in Lifeline support.² In fact, the Coalition has proposed an extension of the Commission’s Lifeline audit requirements to cover ETCs that fall under the \$5 million mark and are not new ETCs so that all ETCs are subject to regular auditing.³

With respect to the biennial audits for large ETCs, the Coalition supports the positions outlined by Smith Bagley, Inc. (“Smith Bagley”) regarding the process for establishing audit requirements and the scope of such audits.⁴ First, and most importantly, the Commission should not impose the biennial audits on ETCs until parties have had an opportunity to review

¹ The Coalition members are Blue Jay Wireless, LLC; Boomerang Wireless, LLC; Global Connection Inc. of America; i-wireless LLC and Telrite Corporation.

² See 47 C.F.R. § 54.420(a).

³ See Lifeline Reform 2.0 Coalition Petition for Rulemaking, WC Docket Nos. 11-42, 03-109, CC Docket No. 96-45 at 15-18 (filed June 28, 2013).

⁴ See *Ex Parte* Notification of Smith Bagley, Inc., WC Docket No. 11-42 (filed July 17, 2013) (“Smith Bagley *Ex Parte*”).

Marlene H. Dortch, Secretary
August 6, 2013
Page Two

and comment on the proposed audit rules. At this time, the Coalition and other Lifeline stakeholders do not know how the biennial audits will be conducted and what indicia of compliance they will address. In order to adequately comment on the proposed audits, stakeholders must be afforded an opportunity to respond to specific proposals for the audits.

Second, the Coalition agrees that the biennial audits should be conducted as agreed-upon procedures (“AUP”) audits and not compliance attestation audits. However, the Coalition notes that the *Lifeline Reform Order* already specifically requires that “[t]he Bureau and [Office of Managing Director] will set out standards for ETCs that are engaging auditors to perform *an agreed upon procedures* attestation.”⁵ Therefore, the Bureau is required to conduct an AUP audit and the auditor should report results to USAC and the Bureau rather than render judgments on an ETC’s compliance.

Third, the Coalition agrees with Smith Bagley’s proposed topics for consideration in the biennial audits.⁶ Finally, the Coalition agrees with Smith Bagley’s proposal that the audits review a limited sample size of an ETC’s customer base, however, depending on the number of lines serviced by an ETC, 60 customers may be too few to gain an accurate assessment of compliance.

⁵ See *Lifeline and Link Up Reform and Modernization, Lifeline and Link Up, Federal-State Joint Board on Universal Service, Advancing Broadband Availability Through Digital Literacy Training*, WC Docket No. 11-42, WC Docket No. 03-109, CC Docket No. 96-45, WC Docket No. 12-23, Report And Order and Further Notice Of Proposed Rulemaking, FCC 12-11, ¶ 293 (Feb. 6, 2012) (“*Lifeline Reform Order*”) (emphasis added).

⁶ Smith Bagley has proposed that the biennial audits cover an ETC’s: (1) initial eligibility determination; (2) annual re-certification; (3) same subscriber duplicates; (4) same household duplicates; and usage monitoring and de-enrollment for non-usage.

KELLEY DRYE & WARREN LLP

Marlene H. Dortch, Secretary
August 6, 2013
Page Three

This letter is being filed electronically for inclusion in the public record of the above-referenced proceeding. Please feel free to contact the undersigned with any questions.

Respectfully submitted,



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